

**FRANCHISE TAX BOARD
MINUTES
DECEMBER 1, 2004**

The Franchise Tax Board met in open session at 1:30 p. m. at the State Board of Equalization, 450 N Street, Hearing Room 121, Sacramento, California. Present were Hon. Steve Westly, Betty T. Yee, representing Hon. Carole Migden, and Hon. Tom Campbell. During part of the meeting, as noted below, the Controller was represented by Deputy Controller Marcy Jo Mandel.

Franchise Tax Board

Staff Participating: Gerald H. Goldberg, John W. Davies, Donald L. Buxton, Brian Putler, Cathy Cleek, Anne Miller, David Maxwell-Jolly, Patrick Kusiak, Ben Miller, Karen Smith, Doug Powers and Claudette Romo.

Others Participating: Lillian Lea, California Society of Enrolled Agents; Richard Harris, Attorney at Law; Lenny Goldberg, Lenny Goldberg and Associates and California Tax Reform Association; Gina Rodriguez, Spidell Publishing; Craig Page, California Land Title Association; Stan Wieg, California Association of Realtors; Catherine A. Apker, California Society of Enrolled Agents; Roland Boucher, United Californians for Tax Reform.

Item 1. – Approval of Board Minutes

The minutes of the August 25, 2004, Franchise Tax Board meeting were approved (2-0), Mr. Campbell abstaining.

Item 2. – Legislative Matters

The Board voted 2-0 (Mr. Campbell abstaining) to approve the following Legislative Proposals:

LP 05-08	Earnings Withholding Orders for Taxes (EWOT) For Liability With No Lien
LP 05-09	Securities Liquidation Upon Receipt Of Order To Withhold (OTW)
LP 05-11	Filing Enforcement Cost Recovery Fee/Apply Fee To All Nonfilers
LP 05-13	Repeal Section 24348.5/Bids on Foreclosure By Savings And Loan Associations/Gains
LP 05-14	Franchise Tax Board Meetings/Distribution of Certain Written Materials
LP 05-16	Department of Justice/Franchise Tax Board Addresses For Non-Registered Sex Offenders
LP 05-17	Withholding on California Real Estate To 9.3% of Profit
LP 05-19	Reporting Federal RAR Adjustments – Ordlock
TP 04-01	Limited Liability Company Double Withholding

The Board voted 2-0 (Mr. Campbell abstaining) to approve the following Legislative Proposals, with amendments as indicated:

- LB 05-15 FTB Authority To Reimburse Taxpayers For Third Party Fees, amended to expand relief from the penalty for underpayment of estimated tax to underpayments attributable to retroactive tax law changes.
- LP 05-20 Allow Business Entities To Enter Into Installment Agreements, amended to be operative January 1, 2005, and to permit business entities to avoid the new amnesty penalty because of installment agreements.
- TP 04-02 Relief From Annual Tax for Limited Partnerships, amended, to allow and/or require FTB to put Secretary of State Forms LP4/LP7 (limited partnership cancellation) in FTB partnership tax booklets.

The Board deferred action with respect to the following Legislative Proposals:

- LP 05-06 Disallowance Of Interest Suspension On Tax Positions Resulting in Gross Understatement of Taxable Income
- TP 04-04 Restructuring Of Home Owners & Renters Assistance Program

The Board heard from the following members of the public concerning the Legislative Proposals and the Taxpayer Bill of Rights Proposals:

Gina Rodriquez, Spidell Publishing
Roland Boucher, United Californians for Tax Reform
Craig Page, California Land Title Association
Stan Wieg, California Association of Realtors

Item 3. – Regulation Matters

- a. 2005 Rulemaking Calendar – Request for Board approval.

The Board unanimously approved (3-0) the 2005 Rulemaking Calendar.

- b. Draft Proposed Regulation 25106.5-11 (Combined Report – Single Return) – Report on Symposium and request for authorization to proceed with formal regulatory process.

The Board unanimously approved (3-0) staff's request to proceed.

- c. Proposed Regulations 25130 (Property Valuation and 25137(b)(1) (Natural Resources – Property of Another) – Request for Board approval to adopt.

The Board unanimously approved (3-0) adoption of these regulations.

Item 4. – Amnesty Project

The Board received a report from staff regarding various aspects of California's Amnesty Program, which will run from February 1 through March 31, 2005.

The Board heard from the following members of the public concerning Amnesty:

Gina Rodriguez, Spidell Publishing
Richard Harris, Attorney at Law

Item 5. – Child Support

The Board received a report from staff on the Child Support Automated System (CCSAS) Project that the project is on schedule and is within budget, and that staff is very optimistic about being able to implement an effective system on a timely basis.

Item 6. – Administrative Matters

Contracts – Form 9's:

Request to close District Offices in Santa Rosa, Stockton, Fresno and San Bernardino – Board approval.

The Board unanimously approved (3-0) this contract.

Request to close Long Island, New York Office and add additional space in Manhattan, New York – Board approval.

The Board unanimously approved (3-0) this contract.

Investigations Bureau West Covina Office – Additional Space Request – Board approval.

The Board unanimously approved (3-0) this contract.

Item 7. – Executive Officer's Time

There was no discussion under this Agenda item.

Item 8. – Board Members' Time

Ms. Yee welcomed Mr. Campbell to the Board and announced that this would be her last meeting representing the Hon. Carole Migden, BOE chair. She also expressed appreciation to Chair Westly and FTB staff for their assistance to her in that capacity. Mr. Campbell expressed his pleasure at being back in Sacramento and with the opportunity to work with Ms. Yee and Chair Westly, as well as with Professor Joe Bankman, his former colleague on the Stanford Law School faculty.

Item 9. Taxpayers' Bill of Rights Hearing

See attached Taxpayers' Bill of Rights Hearing, Franchise Tax Board, Minutes, December 1, 2004.

Chair Westly recessed the Taxpayers' Bill of Rights Hearing and announced the agenda for the Closed Session pursuant to Government Code section 11126.3. Upon conclusion of the Closed Session, Deputy Controller Marcy Jo Mandel assumed responsibilities as chair.

The meeting was adjourned at 3:55 p.m.

Board Secretary

Date